

This evaluation by Mathematica Policy Research (which was completed in 2001) examined Medicaid 1115 demonstrations (managed care) in five States-Hawaii, Maryland, Oklahoma, Rhode Island, and Tennessee-during the period 1994-1997. The experiences of these States suggested that switching to a managed care delivery system could help States gain some predictability over their costs without generating high levels of unmet need or dissatisfaction. One of the goals for States is to ensure that, subject to budget constraints, residents have access to health care in order to live satisfying productive lives. Hawaii and Tennessee, with sufficient planning, were able to reduce unmet health care needs of the uninsured by extending insurance coverage through Section 1115 demonstrations or through SCHIP for children. For special needs populations, a more gradual move to managed care and closer monitoring may be prudent.

### **Evaluation Highlights:**

- Each of the five States made major investments of time and resources to accomplish the sweeping changes they implemented in their Medicaid programs.
- By introducing managed care, States have enhanced the potential for improving the quality of care delivered to Medicaid beneficiaries.
- The States were successful in contracting with a relatively stable set of HMOs to provide services to Medicaid beneficiaries.
- Change in medical costs per beneficiary relative to the pre-demonstration period were fairly similar for the five demonstration States and the nation.
- Most Medicaid HMOs made money during the early years, but setting rates fairly required ongoing negotiations and adjustments.
- Comparison of managed care and fee-for-service Medicaid for Tennessee showed no differences in prenatal care or birth outcomes.
- Beneficiaries' access to care and satisfaction varied widely across plans and plan characteristics.
- Rural beneficiaries in Hawaii, Tennessee, and Oklahoma fared nearly as well as did urban enrollees.
- Experiences of people with disabilities, especially those with mental illnesses, suggest room for improvement in managed care.
- Coverage expansion in Hawaii and Tennessee yielded much better experiences for the previously uninsured.